Hearing Date and Time: May 9, 2006 at 10:00 a.m.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
DELPHI CORPORATION, et al.,	:	Case No. 05-44481 (RDD)
Debtors.	:	(Jointly Administered)

SUPPLEMENTAL DECLARATION OF JOHN D. SHEEHAN IN SUPPORT OF DELPHI'S MOTION FOR AUTHORITY TO REJECT COLLECTIVE BARGAINING AGREEMENTS UNDER 11 U.S.C. § 1113(c) AND MODIFY RETIREE WELFARE BENEFITS UNDER 11 U.S.C. § 1114(g)

I, John D. Sheehan, declare and state as follows:

1. I submit this supplemental declaration in support of the Debtors' Motion For Authority To Reject Collective Bargaining Agreements Under 11 U.S.C. § 1113(c) And Modify Retiree Welfare Benefits Under 11 U.S.C. § 1114(g) (the "Motion"). Capitalized terms not otherwise defined in this supplemental declaration shall have the meanings ascribed to them in my original declaration, filed March 31, 2006 (the "March 31 Declaration"). Except as otherwise stated, all facts set forth in this declaration are based upon my personal knowledge, my review of relevant documents, my opinion, my experience with and knowledge of Delphi's labor relations, or are based upon knowledge obtained from Delphi employees reporting to me in the course of their duties. If I were called upon to testify, I could and would testify to the facts set forth herein.

I. Delphi's Current 2006 Financial Outlook Does Not Materially Change The Need For The Relief Sought By The Motion

2. In the ordinary course of business, Delphi updates its financial outlook quarterly based on Delphi's actual year to date results and projected operating performance.

3. On April 20, 2006, Delphi's management reviewed with its Board of Directors its first quarter actual financial performance, current forecasted financial performance for the remainder of 2006, and projected impact on Delphi's financial outlook for 2007-2010 compared to the Steady State. Notwithstanding higher than projected financial performance in the first quarter of 2006, Delphi still projects an operating loss of approximately $2.0 billion for 2006, which represents a $516 million improvement over the Steady State Scenario projections for 2006.

4. Management's review with its Board of Directors included a comparison of the 2006 Outlook to the Steady State Scenario, the Competitive Benchmark Scenario, and the GM

Consensual Scenario through the fourth quarter of 2006 and the estimated impact of these results on outer years through the fourth quarter of 2010 should the improvements in Delphi's 2006 first quarter performance continue – which for the reasons discussed below is unlikely.

5. Delphi shared this same information with the financial advisers to its Unions and creditors in its chapter 11 process on the same day.

6. Delphi first quarter 2006 performance improvements do not materially impact Delphi's projections under the Steady State, Competitive Benchmark, or GM Consensual Scenarios, nor do they alleviate Delphi's need for restructuring outlined in its Competitive Benchmark and GM Consensual Scenarios. The impact of the first quarter 2006 performance improvement on cash is much less than it is on earnings. Rather, Delphi's projections reflect first quarter improvements that Delphi is not likely to sustain in the future. Based on the short-term nature of Delphi's first quarter performance, the Steady State, Competitive Benchmark, and GM Consensual Scenarios remain materially unchanged.

A. Factors Contributing To Delphi's First Quarter Financial Results

7. Material Costs. On a volume adjusted basis, Delphi experienced actual lower year over year first quarter 2006 material costs of approximately two percent compared to a first quarter, 2006 material cost performance assumption of 0.5 percent. This compares to historical annual material performance of approximately three percent. Such improved performance resulted in $63 million in lower volume adjusted material expenses than budgeted. Delphi's first quarter material performance was driven primarily by better then expected price to price performance and lower than expected commodity economics. Specifically, Delphi experienced better than expected economics on steel, resin/chemical, and electrical purchases. For calendar year 2006, Delphi projects that material cost savings will result in an estimated $99 million

improvement on a volume adjusted basis over the Steady State Scenario projections. Due to changing market conditions, most importantly the cost of oil and copper, it is unlikely that Delphi will experience the same level of material cost improvements in future 2006 quarters. Furthermore, although no one can predict future commodity cost levels, Delphi has assumed that actual 2006 material cost performance will largely carry over through the years 2007 through 2010 in each of the Steady State, Competitive Benchmark, and GM Consensual Scenarios

8. JOBS Bank/FAS 112. Delphi has experienced higher than anticipated attrition since seeking chapter 11 relief in October 2005. This has resulted in an improved first quarter JOBS Bank expense of $33 million over the Steady State Scenario projections. Also as a result of the higher than anticipated attrition, Delphi has reduced its outlook for the impact of FAS 112, post-employment benefit accounting, which resulted in an improvement of $102 million in the first quarter of 2006 over the Steady State Scenario projections. FAS 112 requires the accrual of the cost of employees determined to be other than temporary idled. Despite a forecasted improvement of $133 million in JOBS Bank costs for calendar year 2006 versus the Steady State Scenario, Delphi still anticipates approximately $190 million of costs for non-productive JOBS Bank employees in 2006. The Steady State Scenario assumes that the benefit of the actual attrition being experienced in 2006 will extend through 2010. The Competitive Benchmark and GM Consensual Scenarios assume that the guaranteed employment provisions of Delphi U.S. hourly labor agreements are eliminated. Thus, Delphi's lower 2006 JOBS Bank costs would have no impact on any of Delphi's restructuring scenarios.

9. Pension And OPEB. Delphi's pension and OPEB expenses were $29 million lower in the first quarter of 2006 than those budgeted in the Steady State Scenario projections. The principal factors leading to the lower than budgeted expenses were higher than anticipated

pension asset returns in 2005 and differing actuarial assumptions regarding projected retirement and attrition rates.

10. The Steady State Scenario assumed pension asset returns in 2005 of nine percent while actual 2005 pension asset returns were 13 percent. The Steady State Scenario assumed consideration of past retirement and attrition experience in establishment of future retirement and attrition assumptions. Because of Delphi's unsettled circumstances, it was determined in 2006 that the retirement and attrition assumptions used in prior years were no better predictors of future retirement experience and therefore the actual assumptions being used to determine 2006 pension and OPEB expense are the same as used in 2005.

11. Delphi projects that based upon the foregoing changes to the Steady State, pension and OPEB expenses will be $116 million and $1.6 billion lower during calendar year 2006 and the five-year period 2006-2010, respectively, than those assumed in the Steady State Scenario. Such lower pension and OPEB expenses do not result in material changes in Delphi's financial results under either of its restructuring scenarios because both the Competitive Benchmark and GM Consensual Scenarios assumed that its pension plans were frozen and OPEB benefits terminated. And, in fact, Delphi has announced that it will freeze the existing salaried employees' pension plan and increase salaried employees' contributions to health care consistent with the Competitive Benchmark and GM Consensual Scenarios.

12. SG&A. Delphi has experienced a higher than projected level of salaried, management, and engineering attrition since filing for chapter 11 relief. Furthermore, Delphi has generally sought to not replace open positions while it works with Booz Allen to implement its SG&A cost reduction plan. As a result, Delphi experienced $55 million lower SG&A and Engineering expenses in the first quarter 2006 than those assumed in the Steady Scenario

projections. For the remainder of 2006 the positive performance of SG&A/Engineering against budget is assumed to diminish as the budget assumed SG&A expenses would decrease and because the Company is seeking to replace key engineering resources to maintain its engineering competency. The Competitive Benchmark and GM Consensual Scenarios do not benefit from lower SG&A expenses because such scenarios already consider lower SG&A expenses through implementation of the SG&A cost reduction plan. Furthermore, other than through the sale/wind-down of non-core product lines, the Competitive Benchmark and GM Consensual Scenarios do not contemplate reductions of engineering costs.

13. Depreciation & Amortization (D&A). Delphi's actual first quarter, 2006 D&A expense was $23 million lower than the Steady State Scenario due principally to the asset impairments that were recorded in the fourth quarter of 2005. Delphi's 2005 impairment study will not be final until its 2005 10-K is published. As such, future D&A expense is subject to change. In addition, D&A has no impact on cash flow.

14. While Delphi's first quarter performance is more favorable than the Steady State Scenario projections, the Competitive Benchmark and GM Consensual Scenarios either eliminate the cost category through modification of the U.S. hourly labor agreements, such as freezing of hourly and salaried pension plans, termination of OPEB benefits, and elimination of guaranteed employment or contemplate the cost reduction improvement, such as SG&A reductions and therefore show substantially less improvement. In addition, Delphi believes that first quarter 2006 operating performance was also positively impacted by GM's and other customers' building of inventory banks in preparation for a potential strike. In short, I do not believe that Delphi's actual 2006 first quarter financial performance is indicative either of future quarterly or annual performance and does not result in the need to change Delphi's forecasts for

2007 and beyond. As discussed above, these improvements are due in large part to either one-time events or items that do not impact the Competitive Benchmark or GM Consensual Scenarios.

B. The Effect Of The GM Special Attrition Program and the GM Contract Reject Motion On Delphi's First Quarter Projections

15. Delphi's 2006 financial projections do not take into account the effect of the GM Special Attrition Program or any subsequent attrition program that may be approved by the Court. Delphi has, however, projected the effect of the above-described improvements on its adjusted Steady State Scenario. Even if 100 percent of eligible employees elect to participate in the GM Special Attrition Program, Delphi projects on a Steady State basis an estimated $4.8 billion operating loss at the end of 2010 and a negative cumulative cash flow of $7.3 billion.

16. Similarly, any potential effect of Delphi's motion to reject certain GM contracts will not alleviate Delphi's need for the fundamental restructuring outlined in its Competitive Benchmark and GM Consensual Scenarios. The successful rejection of GM contracts would help to stem the Debtors' operating losses in the short term but does not obviate the need for a realignment of labor costs that alone can permit the Debtors to be a long-term viable business enterprise with competitive pricing.

II. The Effect Of Delphi's Bankruptcy On Its Suppliers

17. As discussed in my March 31 Declaration, Delphi's suppliers are bearing a significant share of the restructuring burden. Despite their own financial difficulties, suppliers have made major concessions in giving necessary extensions for expiring contracts and accepting significantly less than the face amount of their outstanding prepetition payables for defaulted assumed contracts.

I declare under penalty of perjury, and pursuant to 28 U.S.C. § 1746, that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 1st day of May, 2006

/s/ John D. Sheehan
John D. Sheehan